

1. Company details

Name of entity:	ReadyTech Holdings Limited
ABN:	25 632 137 216
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	21.8% to	19,240
Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited	up	378.0% to	2,043
Profit for the half-year attributable to the owners of ReadyTech Holdings Limited	up	378.0% to	2,043

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the Group after providing for income tax amounted to \$2,043,000 (31 December 2018: loss of \$735,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(41.84)</u>	<u>(29.45)</u>

4. Control gained over entities

Name of entities (or group of entities)	Wagelink Australia Pty Ltd; Zambion Limited and its controlled entities
Date control gained	9 October 2019

	\$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	287
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of ReadyTech Holdings Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Signed

A handwritten signature in black ink, appearing to be 'R. P. R.', written over a horizontal line.

Date: 20 February 2020

ReadyTech Holdings Limited

ABN 25 632 137 216

Interim Report - 31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'ReadyTech') consisting of ReadyTech Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of ReadyTech Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Tony Faure - Non-Executive Chairman
Marc Washbourne - Chief Executive Officer
Elizabeth Crouch - Non-Executive Director
Timothy Ebbeck - Non-Executive Director
Tom Matthews - Non-Executive Director
Mark Summerhayes - Alternate Non-Executive Director to Tom Matthews (appointed 22 July 2019)

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of:

- Education - market leading provider of student management system to vocational education and training, international and English Language and higher education providers; and
- Employment - provider of payroll and employee management solutions from cloud-based technology to outsourcing of human resource function.

Review of operations

The profit for the Group after providing for income tax amounted to \$2,043,000 (31 December 2018: loss of \$735,000).

ReadyTech is a provider of mission-critical technology systems across two core segments - education and employment. In the first half of the financial year ending 30 June 2020 ('1H FY20'), ReadyTech realised strong results from a strategic focus on targeting higher value customers while nurturing and offering increased value to existing customers

ReadyTech achieved a record total of new client wins across its business in 1H FY20, with a new client spend 3.5 times that of clients who churned. In the education segment, ReadyTech won a landmark enterprise contract with Bendigo TAFE and Kangan Institute in January 2020 ('BKI') in Victoria worth a total of \$7,000,000 over 5 years. Other key new client contracts included Glassons, Volt Bank and Queensland Energy in employment, and Polytechnic Institute of Australia and UTS Sydney in education.

Client growth came in tandem with an 8% year-on-year growth in average revenue per customer ('ARPC'). ReadyTech was able to increase spend from existing customers through upselling and cross-selling, including offering additional modules and increasing user subscriptions. My Profiling's cross-sell pipeline is solid and growing, while the cross-sell of Esher House's behavioural science-driven student and apprentice retention product netted three contracts in 1H FY20.

ReadyTech also continued to position itself for the continued success of its strategic growth strategy in the short to medium-term. Briefly summarised, ReadyTech was able to achieve:

- The complementary strategic acquisitions of workforce management and payroll software and services businesses Zambion and WageLink for a total combined consideration of \$12,000,000 (inclusive of acquisition costs). Both acquisitions position ReadyTech for future growth in the employment segment across Australia and New Zealand with product integration proceeding well with the launch of HR3+, a unified payroll and workforce management platform;
- Continued R&D spending of \$10,000,000 per annum on product improvements, new modules and customer value. This spending supported the launch of a digital credentials module for ReadyTech's education software products in 1H FY20 as well as automated workflows, a mobile app, Financial Controller portal and onboarding in the employment segment;
- A continued focus on customer success, with client revenue retention of 95% and strong customer satisfaction scores supported by investment in customer success headcount; and
- Talent retention and attraction with investment in enterprise sales capability, leadership and education programs, and additional business development and enterprise delivery roles.

Significant changes in the state of affairs

On 9 October 2019 the Group acquired 100% of the ordinary shares in Wagelink Australia Pty Limited ('Wagelink') for total consideration of \$1,550,000. Wagelink provides software solutions to Australian recognised training organisations through online platforms and mobile applications.

On 9 October 2019 the Group acquired 100% of the ordinary shares in Zambion Limited and its controlled entities ('Zambion') for total consideration of \$10,317,000. Zambion provides software solutions to Australian recognised training organisations through online platforms and mobile applications.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Tony Faure', written over a horizontal line.

Tony Faure
Director

20 February 2020
Sydney

The Board of Directors
ReadyTech Holdings Limited
Level 1, 35 Saunders Street
Pyrmont NSW 2009

20 February 2020

Dear Board Members

ReadyTech Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ReadyTech Holdings Limited.

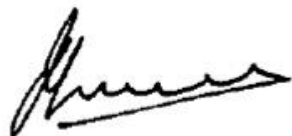
As lead audit partner for the review of the financial statements of ReadyTech Holdings Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

ReadyTech Holdings Limited
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31 December 2019



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ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019



	Note	Consolidated 31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue from contracts with customers	4	19,240	15,792
Interest revenue calculated using the effective interest method		10	12
Expenses			
Hosting and other direct costs		(1,158)	(1,345)
Employee benefits expense		(7,986)	(7,191)
Depreciation and amortisation expense		(4,495)	(3,467)
Advertising and marketing expenses		(234)	(252)
Consultancy and professional expenses		(519)	(1,822)
Administration expenses		(293)	(266)
Communication and IT expenses		(461)	(385)
Occupancy costs		(179)	(504)
Management fees		-	(69)
Other expenses		(486)	(473)
Finance costs		(566)	(791)
Profit/(loss) before income tax (expense)/benefit		2,873	(761)
Income tax (expense)/benefit		(830)	26
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of ReadyTech Holdings Limited		2,043	(735)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		235	-
Other comprehensive income for the half-year, net of tax		235	-
Total comprehensive income for the half-year attributable to the owners of ReadyTech Holdings Limited		2,278	(735)
		Cents	Cents
Basic earnings per share	16	2.55	(1.92)
Diluted earnings per share	16	2.55	(1.92)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ReadyTech Holdings Limited
Statement of financial position
As at 31 December 2019



		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		7,154	6,322
Trade and other receivables	5	3,917	3,474
Prepayments		496	471
Total current assets		<u>11,567</u>	<u>10,267</u>
Non-current assets			
Property, plant and equipment	6	790	532
Right-of-use assets		2,030	2,046
Intangibles	7	65,196	52,918
Deferred tax		3,426	3,909
Total non-current assets		<u>71,442</u>	<u>59,405</u>
Total assets		<u>83,009</u>	<u>69,672</u>
Liabilities			
Current liabilities			
Trade and other payables	8	2,788	3,061
Contract liabilities		9,387	10,354
Borrowings	9	1,000	-
Lease liabilities		529	543
Income tax payable		756	246
Employee benefits		1,884	995
Lease make good provision		50	49
Contingent consideration		6,215	756
Total current liabilities		<u>22,609</u>	<u>16,004</u>
Non-current liabilities			
Contract liabilities		313	496
Borrowings	10	26,500	21,500
Lease liabilities		1,736	1,653
Employee benefits		303	750
Provisions		60	59
Total non-current liabilities		<u>28,912</u>	<u>24,458</u>
Total liabilities		<u>51,521</u>	<u>40,462</u>
Net assets		<u>31,488</u>	<u>29,210</u>
Equity			
Issued capital	11	119,581	119,581
Reserves		(82,709)	(82,944)
Accumulated losses		(5,384)	(7,427)
Total equity		<u>31,488</u>	<u>29,210</u>

The above statement of financial position should be read in conjunction with the accompanying notes

ReadyTech Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2019



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	28,432	(10,058)	(6,267)	12,107
Loss after income tax benefit for the half-year	-	-	(735)	(735)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(735)	(735)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares, net of transaction costs	100	-	-	100
Deemed contribution	-	-	388	388
Balance at 31 December 2018	<u>28,532</u>	<u>(10,058)</u>	<u>(6,614)</u>	<u>11,860</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	119,581	(82,944)	(7,427)	29,210
Profit after income tax expense for the half-year	-	-	2,043	2,043
Other comprehensive income for the half-year, net of tax	-	235	-	235
Total comprehensive income for the half-year	-	235	2,043	2,278
Balance at 31 December 2019	<u>119,581</u>	<u>(82,709)</u>	<u>(5,384)</u>	<u>31,488</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

ReadyTech Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2019



		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,094	15,718
Payments to suppliers and employees (inclusive of GST)		<u>(13,007)</u>	<u>(12,313)</u>
		7,087	3,405
Interest received		10	12
Interest and other finance costs paid		(566)	(791)
Payment of IPO operating expenses		(567)	-
Income taxes paid		<u>(1,290)</u>	<u>(1,225)</u>
Net cash from operating activities		<u>4,674</u>	<u>1,401</u>
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	15	(5,426)	(1,454)
Final payments for prior period's subsidiary acquisition		(756)	(480)
Payment of acquisition costs		(311)	-
Payments for property, plant and equipment	6	(215)	(223)
Payments for intangibles	7	<u>(2,301)</u>	<u>(1,776)</u>
Net cash used in investing activities		<u>(9,009)</u>	<u>(3,933)</u>
Cash flows from financing activities			
Proceeds from issue of shares	11	-	100
Proceeds from borrowings		6,000	-
Payment for bank guarantee		(456)	-
Repayment of lease liabilities		<u>(377)</u>	<u>-</u>
Net cash from financing activities		<u>5,167</u>	<u>100</u>
Net increase/(decrease) in cash and cash equivalents		832	(2,432)
Cash and cash equivalents at the beginning of the financial half-year		<u>6,322</u>	<u>5,586</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>7,154</u></u>	<u><u>3,154</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover ReadyTech Holdings Limited as a Group consisting of ReadyTech Holdings Limited ('company or 'parent entity') and the entities it controlled at the end of, or during, the period (collectively referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is ReadyTech Holdings Limited's functional and presentation currency.

ReadyTech Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 35 Saunders St
Pyrmont
NSW 2009
Australia

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 February 2020.

Note 2. Significant accounting policies

These interim half-year financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 16 'Leases' and its related amendments, which was mandatorily effective for annual periods commencing on or after 1 January 2019 was early adopted effective from 1 July 2018, the impact of which was disclosed in the annual report for the year ended 30 June 2019.

Details of new Accounting Standards and Interpretations adopted during the half-year ended 31 December 2019 which are most relevant to the Group are provided below:

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

Note 2. Significant accounting policies (continued)

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

As a result of the acquisition of Zambion Limited and its controlled entities (as detailed in note 15), the Group has applied the following accounting policy relating to *foreign currency translation of foreign operations*:

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Deficiency of net current assets

The statement of financial position has a deficiency of net current assets of \$11,042,000 at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of \$9,387,000 disclosed in current liabilities, contract liabilities represents upfront payments received from customers on signed sales contracts.; (ii) An amount of \$1,884,000 in relation to employee benefits is included in current liabilities, the majority of this liability is not expected to be settled in cash within the next twelve months.

In addition, there is a contingent consideration liability of \$6,215,000 which is payable only if recurring revenue targets are met, consequently, this payable will be partially funded by the incremental operating cash flow to be generated from the new businesses acquired in the period ended 31 December 2019.

The directors are satisfied that the Group will be able to meet its working capital requirements through the normal cyclical nature of receipts and payments and budgeted cash flows generated from operations.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two reportable operating segments: Education and Employment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews adjusted EBITDA (earnings before interest, tax, depreciation and amortisation adjusted for non-cash and significant items). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Education	Mainly provides products and services to tertiary education providers. Core products are its cloud-based student management systems (SMS) for education and training providers to manage the student lifecycle from student enrolment to course completion. ReadyTech also provides platforms to help state governments manage vocational education and training (VET) programs, software platforms for the pathways and back-to-work sector to manage apprentices and job seekers, and a competency assessment and skills profiling tools to track on-the-job training through a qualification; and
Employment	Provides products and services to mid-sized company across various industries with payroll software, outsourced payroll services and human resource management (HRM) software solutions to employers to assist them with payroll and the management of their employees. HRM consists of human resource (HR) administration and talent management. HR administration involves employee records, workplace health and safety (WHS) and organisational structure.

Note 3. Operating segments (continued)

Intersegment transactions

No intersegment transactions were made during the year ended 31 December 2019 (31 December 2018: \$nil).

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the years ended 31 December 2019 and 31 December 2018 no single customer contributed 10% or more to the Group's external revenue.

Operating segment information

Consolidated - 31 Dec 2019	Employment \$'000	Education \$'000	Corporate \$'000	Total \$'000
Revenue				
Sales to external customers	8,451	10,789	-	19,240
Interest revenue	10	-	-	10
Total revenue	<u>8,461</u>	<u>10,789</u>	<u>-</u>	<u>19,250</u>
Adjusted EBITDA	<u>4,154</u>	<u>4,812</u>	<u>(651)</u>	<u>8,315</u>
Transaction and related costs				(391)
Depreciation and amortisation				(4,495)
Interest revenue				10
Finance costs				(566)
Profit before income tax expense				<u>2,873</u>
Income tax expense				(830)
Profit after income tax expense				<u>2,043</u>
Consolidated - 31 Dec 2018	Employment \$'000	Education \$'000	Corporate \$'000	Total \$'000
Revenue				
Sales to external customers	6,332	9,460	-	15,792
Interest revenue	8	4	-	12
Total revenue	<u>6,340</u>	<u>9,464</u>	<u>-</u>	<u>15,804</u>
EBITDA	<u>2,968</u>	<u>3,366</u>	<u>(2,849)</u>	<u>3,485</u>
Depreciation and amortisation				(3,467)
Interest revenue				12
Finance costs				(791)
Loss before income tax benefit				<u>(761)</u>
Income tax benefit				26
Loss after income tax benefit				<u>(735)</u>

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

Note 4. Revenue from contracts with customers

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Revenue from contracts with customers	<u>19,240</u>	<u>15,792</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 31 Dec 2019	Employment \$'000	Education \$'000	Total \$'000
<i>Major product lines</i>			
Subscription, licence and hosting	7,596	9,159	16,755
Implementation, training and other	<u>855</u>	<u>1,630</u>	<u>2,485</u>
	<u>8,451</u>	<u>10,789</u>	<u>19,240</u>

Consolidated - 31 Dec 2018	Employment \$'000	Education \$'000	Total \$'000
<i>Major product lines</i>			
Subscription, licence and hosting	5,623	8,531	14,154
Implementation, training and other	<u>709</u>	<u>929</u>	<u>1,638</u>
	<u>6,332</u>	<u>9,460</u>	<u>15,792</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Trade receivables	3,038	3,096
Less: Allowance for expected credit losses	<u>(144)</u>	<u>(53)</u>
	<u>2,894</u>	<u>3,043</u>
Other receivables	<u>1,023</u>	<u>431</u>
	<u>3,917</u>	<u>3,474</u>

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Leasehold improvements - at cost	618	617
Less: Accumulated depreciation	<u>(365)</u>	<u>(303)</u>
	<u>253</u>	<u>314</u>
Fixtures and fittings - at cost	98	143
Less: Accumulated depreciation	<u>(30)</u>	<u>(104)</u>
	<u>68</u>	<u>39</u>
Motor vehicles - at cost	28	-
Less: Accumulated depreciation	<u>(3)</u>	<u>-</u>
	<u>25</u>	<u>-</u>
Computer equipment - at cost	265	222
Less: Accumulated depreciation	<u>(112)</u>	<u>(137)</u>
	<u>153</u>	<u>85</u>
Office equipment - at cost	364	324
Less: Accumulated depreciation	<u>(73)</u>	<u>(230)</u>
	<u>291</u>	<u>94</u>
	<u><u>790</u></u>	<u><u>532</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold improvements \$'000	Fixtures and fittings \$'000	Motor vehicles \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2019	314	39	-	85	94	532
Additions	1	32	-	97	85	215
Additions through business combinations (note 15)	-	7	28	9	152	196
Depreciation expense	<u>(62)</u>	<u>(10)</u>	<u>(3)</u>	<u>(38)</u>	<u>(40)</u>	<u>(153)</u>
Balance at 31 December 2019	<u><u>253</u></u>	<u><u>68</u></u>	<u><u>25</u></u>	<u><u>153</u></u>	<u><u>291</u></u>	<u><u>790</u></u>

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Goodwill - at cost	31,838	22,767
Brand names and trademarks - at cost	488	-
Customer relationships - at cost	19,846	18,121
Less: Accumulated amortisation	(4,515)	(3,605)
	<u>15,331</u>	<u>14,516</u>
Software - at cost	30,639	25,767
Less: Accumulated amortisation	(13,100)	(10,132)
	<u>17,539</u>	<u>15,635</u>
	<u><u>65,196</u></u>	<u><u>52,918</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	Brand names and trademark \$'000	Customer relationships \$'000	Software \$'000	Total \$'000
Balance at 1 July 2019	22,767	-	14,516	15,635	52,918
Additions	-	-	-	2,301	2,301
Additions through business combinations (note 15)	8,872	477	1,707	2,524	13,580
Exchange differences	199	11	17	46	273
Amortisation expense	-	-	(909)	(2,967)	(3,876)
Balance at 31 December 2019	<u><u>31,838</u></u>	<u><u>488</u></u>	<u><u>15,331</u></u>	<u><u>17,539</u></u>	<u><u>65,196</u></u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Trade payables	160	806
Accrued expenses	2,035	1,621
GST payable	593	634
	<u>2,788</u>	<u>3,061</u>

Refer to note 13 and 15 for further information on contingent consideration.

Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Borrowings	1,000	-

Refer to note 10 for further information on assets pledged as security and financing arrangements.

Refer to note 10 for further information on borrowings.

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Borrowings	26,500	21,500

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Total borrowings	27,500	21,500

Assets pledged as security

Borrowings are secured over the assets of the Group as per the statement of financial position.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Total facilities		
Borrowings (Facility A)	21,500	21,500
Borrowings (Facility B)	6,000	6,000
	<u>27,500</u>	<u>27,500</u>
Used at the reporting date		
Borrowings (Facility A)	21,500	21,500
Borrowings (Facility B)	6,000	-
	<u>27,500</u>	<u>21,500</u>
Unused at the reporting date		
Borrowings (Facility A)	-	-
Borrowings (Facility B)	-	6,000
	<u>-</u>	<u>6,000</u>

Note 10. Non-current liabilities - borrowings (continued)

The Group has established two facilities, Facility A and Facility B:

- Facility A - \$21,500,000 (30 June 2019: \$21,500,000) with an amortising loan term over 3 years and an interest rate set at BBSY plus a margin ranging from 2.75% to 3.75% (30 June 2019: 2.75% to 3.75%) depending on the Net Leverage Ratio of the Group. \$1,000,000 (30 June 2019: \$nil) of the loan is shown in current liabilities being the contractual repayments over the 12 months to 31 December 2020.
- Facility B - \$6,000,000 (30 June 2019: \$6,000,000) with a bullet term repayment after 3 years and an interest rate set at BBSY plus a margin of 3% to 4% (30 June 2019: 3% to 4%) depending on the Net Leverage Ratio of the Group.

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	80,005,371	80,005,371	119,581	119,581

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 12. Equity - dividends

There were no dividends paid, recommended or declared during the current financial year or previous financial period.

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	6,215	6,215
Total liabilities	-	-	6,215	6,215
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	756	756
Total liabilities	-	-	756	756

There were no transfers between levels during the financial half-year.

Note 13. Fair value measurement (continued)

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration has been valued using a discounted cash flow model.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Contingent consideration \$'000
Balance at 1 July 2019	756
Additions	6,215
Amounts paid	<u>(756)</u>
Balance at 31 December 2019	<u><u>6,215</u></u>

Note 14. Contingent liabilities

The Group has given bank guarantees as at 31 December 2019 of \$937,000 (30 June 2019: \$472,000).

Note 15. Business combinations

Acquisition of Wagelink Australia Pty Ltd

On 9 October 2019, the Group acquired 100% of the ordinary shares of Wagelink Australia Pty Ltd for the total consideration transferred of \$1,550,000. Wagelink provides a range of payroll management services for small to medium sized business. The goodwill of \$909,000 represents future growth of Wagelink. The acquired business contributed revenues of \$344,000 and profit before tax of \$104,000 to the Group for the period from 9 October 2019 to 31 December 2019. The values identified in relation to the acquisition of Wagelink Australia Pty Ltd are provisional as at 31 December 2019.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	151
Trade receivables	35
Property, plant and equipment	4
Customer relationships	933
Trade and other payables	(5)
Deferred tax liability	(280)
Employee benefits	(134)
Other provisions	(63)
Net assets acquired	641
Goodwill	909
Acquisition-date fair value of the total consideration transferred	<u>1,550</u>
Representing:	
Cash paid or payable to vendor	1,240
Contingent consideration	310
	<u>1,550</u>
Acquisition costs expensed to profit or loss	<u>126</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,550
Less: cash and cash equivalents	(151)
Less: contingent consideration	(310)
Net cash used	<u>1,089</u>

As part of the acquisition of WageLink Pty Limited an amount of contingent consideration has been agreed, which is subject to WageLink meeting pre-determined revenue thresholds based on the last twelve months revenue.

Note 15. Business combinations (continued)

Acquisition of Zambion Limited and its controlled entities

On 9 October 2019, the Group acquired 100% of the ordinary shares of Zambion Limited and its controlled entities ('Zambion') for the total consideration transferred of \$10,317,000. Zambion develops and implements Software-as-a-Service ("SaaS") solutions for small to medium sized businesses to manage their workforce. The software product is a web and app based payroll, HR, time and attendance, leave management system that is compliant with Australia and New Zealand's tax, superannuation and fair work legislation. The goodwill of \$7,963,000 represents technology and revenue synergies from cross-selling extended capability to Readytech's existing client base as well as revenue growth from new customer acquisitions. The acquired business contributed revenues of \$730,000 and profit before tax of \$183,000 to the Group for the period from 9 October 2019 to 31 December 2019. The values identified in relation to the acquisition of Zambion are provisional as at 31 December 2019.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	75
Trade receivables	742
Other current assets	22
Property, plant and equipment	192
Brand names and trademarks	477
Customer relationships	774
Software	2,524
Trade payables and other payables	(255)
Contract liabilities	(710)
Provision for income tax	(139)
Deferred tax liability	(1,035)
Employee benefits	(106)
Other provisions	(207)
	<hr/>
Net assets acquired	2,354
Goodwill	7,963
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u><u>10,317</u></u>
Representing:	
Cash paid or payable to vendor	4,412
Contingent consideration	5,905
	<hr/>
	<u><u>10,317</u></u>
Acquisition costs expensed to profit or loss	<u><u>186</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	10,317
Less: cash and cash equivalents	(75)
Less: contingent consideration	(5,905)
	<hr/>
Net cash used	<u><u>4,337</u></u>

As part of the acquisition of Zambion Limited an amount of contingent consideration has been agreed. The contingent consideration is payable in three amounts, dependent on recurring revenue growth targets. The Directors expect the contingent consideration to be paid out during the next 12 months.

Note 16. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit/(loss) after income tax attributable to the owners of ReadyTech Holdings Limited	<u>2,043</u>	<u>(735)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>80,005,371</u>	<u>38,204,592</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>80,005,371</u>	<u>38,204,592</u>
	Cents	Cents
Basic earnings per share	2.55	(1.92)
Diluted earnings per share	2.55	(1.92)

Note 17. Events after the reporting period

On 14 January 2020, the group had announced a new contract with leading Victorian TAFE provider Bendigo Kangan Institute. The executed contract is valued at \$7,000,000 including an initial five-year software subscription.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ReadyTech Holdings Limited
Directors' declaration
31 December 2019



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Tony Faure", written over a horizontal line.

Tony Faure
Director

20 February 2020
Sydney

Independent Auditor's Review Report to the Members of ReadyTech Holdings Limited

We have reviewed the accompanying half-year financial report of ReadyTech Holdings Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ReadyTech Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ReadyTech Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

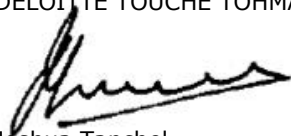
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 20 February 2020